



# Proposed Red Flag Regulations and Guidelines

Federal financial regulators, including NCUA, (“the Agencies”) have issued for public comment a proposed rule that would implement sections 114 and 315 of the Fair and Accurate Credit Transaction Act of 2003 (FACT Act). These sections require the Agencies to jointly issue identity theft red flag and address discrepancy guidelines. In developing these guidelines, the Agencies would have to identify patterns, practices and specific forms of activity that indicate the possible existence of identity theft.

Examples of the proposed red flags are: “a fraud or active duty alert is included with a consumer report”; “personal information provided is inconsistent when compared against external information sources”; and “mail sent to the customer is returned as undeliverable although transactions continue to be conducted in connection with the customer’s account.”

Additionally, the Agencies must create regulation that would require financial institutions to establish reasonable policies and procedures for implementing the guidelines by requiring these institutions to develop a written Identity Theft Prevention Program. The program will be based on an applicable risk assessment and must include policies and procedures to prevent identity theft from occurring, including policies and procedures to:

- Verify the identity of persons opening accounts;
- Detect Red Flags that the credit union identifies as relevant for new and existing accounts;
- Assess whether the Red Flags detected are evidence of a risk of identity theft;
- Train staff to implement the Program; and
- Oversee service provider arrangements

Credit unions are urged to watch for further developments and be ready to set into motion its compliance program once the rule is finalized.

Information found in the September 2006 issue of NAFCU’s Regulatory Compliance newsletter.

### Inside this issue:

Proposed Red Flag Regulations and Guide-	1
Compliance Connection: MSR’s	2
Compliance Connection: Loan Staff	3
Training Schedule	4
Inspirational Thoughts	4

### Points of Interest:

*See the Compliance Connections on pages 2 and 3 to find some review information from previous classes and new happenings in Washington!*

## Routing Number Guide

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Since I know this was confusing for some of you in Reg CC training, I wanted to provide a “cheat sheet.” The **first and second numbers** of any routing number designate the Federal Reserve district. The districts are numbered as follows:

<b>01:</b> Boston	<b>07:</b> Chicago (THESE ARE <u>LOCAL</u> CHECKS)
<b>02:</b> New York	<b>08:</b> St. Louis
<b>03:</b> Philadelphia	<b>09:</b> Minneapolis
<b>04:</b> Cleveland	<b>10:</b> Kansas City
<b>05:</b> Richmond	<b>11:</b> Dallas
<b>06:</b> Atlanta	<b>12:</b> San Francisco

Pretty much what you need to know is:

- All LOCAL checks will begin with **07** or **27**
- *Non-local* checks will begin with
  - **01-06**
  - **08-12**
  - **21-26**
  - **28-32**
- **00** checks are U.S government checks
- **61-72** will designated Electronic Transactions
- **80** designate Traveler’s Checks
- All other beginning numbers are reserved for future use and ARE NOT CURRENTLY IN CURCULATION.

*Compliance Connection: Connecting the Regulations with the everyday workings of the Credit Union*

## Newsletter Assessment

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Assessments on the regulatory information in the Compliance Newsletter will be taken every quarter. That means the first quiz is coming up. The newsletters in this quiz will be August, September, and October. Look for it to be uploaded to the intranet in the next couple of weeks. Everyone will have until November 22nd to complete it at their own pace. Please print it off and answer the questions. When you are finished with the quiz, please return it to my inbox.

# News From Washington

## Internet Gambling Law

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President George W. Bush Friday signed the SAFE Port Act into law, a measure which includes language requiring credit card and other payment system companies to establish procedures to block customer transactions with online gambling sites.

Now that this bill has been signed into law we can expect regulators to begin developing regulations to be followed to block these transactions. The law also includes a provision to update the forty-year-old Wire Act to clearly outlaw gambling activity through recent technology, such as the internet. It also asks the Treasury Department and the Federal Reserve Board to identify what type of coding and blocking methods financial institutions will need to employ to remain in compliance with this law.

The bottom line for credit unions comes down to this: we should expect some action in the upcoming months. New regulations will force new policies and procedures regarding the blocking of such activity when attempted using a debit card or a credit card.

## Regulatory Relief Update

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The bill that finally passed through Congress before the end of the session and signed into law on October 16th, resulted in less relief than initially hoped. Not all of the measures credit unions were hoping would pass were addressed in the final bill.

One issue that should be of interest to most credit unions is a bill that was passed by both the House and Senate to prevent the use of certain payment instruments, credit cards, and fund transfers for unlawful Internet gambling. The Unlawful Internet Gambling Enforcement Act was passed last week as part of a House-Senate port security conference report and now awaits President George W. Bush's signature to become law. It would require credit unions, other financial institutions, credit card issuers and other payment system companies to establish procedures to identify and block or otherwise prevent/prohibit consumer transactions with online gambling sites. There is a 15 month period allowed for establishing implementing regulations for this law.

The bill allows for the following in regards to credit unions:

- As discussed in September, credit unions will be allowed to provide check-cashing and electronic money transfer services to people within the Field of Membership but who have not yet joined the credit union.
- The bill allows NCUA to raise a 12-year maturity limit on loans to 15 years.
- The bill revises a statutory definition of net worth in reaction to a pending accounting industry rule. This will help credit unions avoid adverse affects from this other rule.



## 2006 Training Schedule

Month	Monday	Tuesday	Wednesday	Thursday	Friday
<b><u>October</u></b>	16	17	18– TISA	19– TISA	20
	23	24	25– TILA	26– TILA	27
<b><u>Oct./Nov</u></b>	30	31	1– Advertising	2– Advertising	3
<b><u>November</u></b>	6	7	8	9– make up day	10–Offices Closed
	13	14	15– Safeguarding	16–Safeguarding	17
	20	21	22– Newsletter Quiz due to Kara	23– Offices Closed	24
	27	28	29– Website	30– Website	1
<b><u>December</u></b>	4	5	6	7– Lending Regs.	8
	11	12	13	14–make up day	15
	18	19	20– Share Insur.	21– Share insur.	23
	25– Offices Closed	26	27	28	29

### Compliance Kudos!

Though no one has received any compliance incentives as of yet I am very pleased to say that people HAVE been keeping their eyes open! Maggie found a mistake on a check after REG CC training, and Vicki mentioned the fact that our share account statements list “interest” (of which we are aware and are looking into correcting...) not to mention various typos of mine. Way to keep your eyes peeled!

**This newsletter will be archived  
on the ISPFCU intranet!**

### Inspirational Thought:

To laugh often and love much; to win the respect of intelligent persons and the affection of children; to earn the approbation of honest critics; to appreciate beauty; to give of one’s self to leave the world a bit better, whether by a healthy child, a garden path or a redeemed social condition; to have played and laughed with enthusiasm and sung with exultation; to know even one life has breathed easier because you have lived— that is to have succeeded.  
~ Ralph Waldo Emerson ~